



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA**

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Order Instituting Rulemaking on the	)	
Commission's own motion to improve	)	Rulemaking 11-09-011
distribution level interconnection rules and	)	(Filed September 22, 2011)
regulations for certain classes of electric	)	
generators and electric storage resources.	)	
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**COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E), SAN DIEGO  
GAS & ELECTRIC COMPANY (U 902-E) AND PACIFIC GAS AND ELECTRIC COMPANY  
(U 39-E) ON THE STAFF REPORT REGARDING COST CERTAINTY FOR THE RULE 21  
INTERCONNECTION PROCESS**

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Pursuant to 11.1 of the California Public Utilities Commission's (Commission's) Rules of Practice and Procedure and the July 29, 2014 *Administrative Law Judge's Ruling Setting Schedule for Comments on Staff Reports and Scheduling Prehearing Conference* (ALJ Ruling), Southern California Edison Company (SCE), San Diego Gas and Electric (SDG&E) and Pacific Gas and Electric Company (PG&E), (together, IOUs), respectfully submit their joint comments on the Staff Report titled, *Cost Certainty for the Interconnection Process* (Staff Report).

**I. INTRODUCTION**

The IOUs appreciate the Energy Division staff's effort in preparing this report to address the complex and important issues relating to the improvement of predictability in the interconnection process through mechanisms to increase cost certainty. The IOUs support the Commission's goal to provide a cost-effective, transparent and timely interconnection process under Rule 21. The IOUs recognize improving interconnection cost certainty is an important objective, and the IOUs are committed to that objective. As such, the IOUs continue to work to identify and minimize barriers to generator interconnection, and the IOUs are hopeful that the Staff Report, with some modifications, and further discussion on these issues, can yield results that benefit all Rule 21 stakeholders.

The Staff Report relies upon an incomplete and incorrect analysis of the current Rule 21 processes to incorrectly conclude that it is appropriate to dramatically depart from established cost allocation interconnection principles without providing any cost allocation analysis. Specifically, the Staff Report: (1) fails to address the impact of recent Rule 21 reforms; (2) fails to consider the underlying causation for cost estimate uncertainty; (3) fails to address implications relating to a change to cost allocation; and (4) relies upon a misplaced comparison to Net Energy Metering interconnection rules. Accordingly, the IOUs believe further discussion and analysis is necessary to develop a foundation upon which improvements to interconnection cost certainty may be based.

Notwithstanding these concerns, the IOUs believe their 2013 Joint IOU Cost Certainty Proposal is a reasonable starting point for improvements. Indeed, as discussed in more detail below, the IOUs believe this proposal can be expanded to include an additional subset of projects that are studied under the Rule 21 Independent Study Process. However, the IOUs strongly oppose the “modified version of the Massachusetts cost certainty process” because: (1) it violates cost-of-service ratemaking tenets, (2) contradicts the Public Utility Regulatory Policies Act (“PURPA”), (3) lacks any detailed analysis, and (4) unfairly shifts substantial risk to the IOU without regard for critical inherent uncertainties in the interconnection review process that were detailed in the Staff Report, itself, and Rule 21’s compromise between the level of estimate certainty and interconnection process efficiency.

The IOUs look forward to engaging with the Commission and other stakeholders to continue to make improvements to the Rule 21 processes

## **II. PROCEDURAL HISTORY**

In August 2011, the Commission initiated a settlement process on CPUC-jurisdictional distribution level interconnection issues and encouraged all parties interested in interconnection issues to participate in the settlement discussion. The interested parties (“Settlement Parties”) began confidential settlement negotiations on August 23, 2011. On September 22, 2011, the Commission issued an Order Instituting Rulemaking on the Commission’s own motion to improve distribution level interconnection rules and regulations for certain classes of electric generators and electric storage resources, R.11-09-

011 (OIR). The OIR sought to “address the key policy and technical issues essential to timely, non-discriminatory, cost effective and transparent interconnection.”<sup>1</sup> It was also contemplated that the OIR might be used by the Commission as the procedural forum for the distribution-level interconnection settlement efforts.<sup>2</sup> With guidance from Commission Staff, Settlement Parties engaged in frequent and lengthy meetings. The Settlement Parties agreed to settle certain matters and submitted a Settlement Agreement to the Commission for approval on March 16, 2012 (Settlement Agreement). On September 13, 2012, the Commission approved Decision (D.) 12-09-018, which approved the Settlement Agreement and concluded the first phase of the OIR. On September 26, 2012, the Commission issued the *Assigned Commissioner’s Amended Scoping Memo and Ruling Requesting Comments*, which established the scope of issues for the second phase of the OIR and requested comments on a set of questions directed towards the evaluation and analysis of Rule 21’s interconnection cost responsibility framework. On October 25, 2012, parties filed comments on that set of questions.

On November 30, 2012, ALJ DeAngelis issued an email ruling directing each investor-owned utility to file a proposal or proposals in this proceeding “to enhance cost certainty within the interconnection process [and address] the improvement of cost predictability prior to the start of the interconnection process and improvement of cost certainty during the interconnection process.” That email ruling also directed the Energy Division to hold a workshop in response to the proposals. On January 13, 2013, the IOUs filed a Joint Cost Certainty proposal. On March 5, 2013, the Energy Division held the workshop on cost certainty.<sup>3</sup>

On July 29, 2014, ALJ Bushey issued the ALJ Ruling, attaching two staff reports including the

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<sup>1</sup> OIR at 4.

<sup>2</sup> *Id.* at 2.

<sup>3</sup> On April 16, 2014, the Commission issued the *Decision Adopting Revisions To Electric Tariff Rule 21 To Include A Distribution Group Study Process And Additional Tariff Forms*, D.14-04-003. This decision directed the IOUs to incorporate a new Distribution Group Study Process into their respective Rule 21 tariffs. On June 9, 2014, the IOUs file such revisions in Advice Letter 3050-E. These revisions became effective on July 9, 2014.

*Staff Report on Cost Certainty for the Interconnection Process* and directed parties to file comments on the staff reports by September 12, 2014.

### **III. DISCUSSION**

#### **A. Overview of the Rule 21 Interconnection Process**

To provide context to the IOUs' analysis of the Staff Report's proposal regarding improving predictability of the interconnection process via an increase in an Applicant's cost certainty, the IOUs provide the following overview of the Rule 21 Interconnection Process.

##### **1. Revisions to the Rule 21 Interconnection Process**

The revised Rule 21—adopted by the Commission in 2012—continued the first-come, first-served approach for certain interconnections.<sup>4</sup> The revised Rule 21 established a public queue for applicants, and set out rules under which all applicants may obtain a queue position.<sup>5</sup> An applicant's queue position can impact the timing of interconnection studies and the applicant's share of triggered upgrades. Rule 21 Applicants seeking to interconnect generating facilities must pay the actual cost of any infrastructure upgrades (i.e., interconnection facility costs and/or distribution system improvement costs) their project requires for safe and reliable interconnection to the electric system.<sup>6</sup> This ensures that costs are not unfairly allocated to other parties who do not receive any benefit from such infrastructure upgrades and provides proper price signals to Applicants regarding the cost of

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<sup>4</sup> D.12-09-018, at p. 23.

<sup>5</sup> The IOUs note that, as discuss in Section II.A.2.d, *infra*, applicants seeking to interconnect generating facilities under the Net Energy Metering ("NEM") program are not subject to the queue.

<sup>6</sup> The IOUs note that, as discussed in Section II.A.2.d, *infra*, Applicants seeking to interconnect generating facilities under the NEM program are exempt from interconnection application review fees, interconnection study costs and distribution system improvement costs. These costs are allocated to ratepayers generally. D.02-05-057, at pp. 9-12.

interconnection at their selected locations. An Applicant's cost estimate could be dependent upon other Applicants.<sup>7</sup>

The revised Rule 21 also established two new, major study tracks to expedite the interconnection process: the Fast Track Interconnection Review Process and the Detailed Study Interconnection Review Process.

## **2. Fast Track Interconnection Review Process**

Fast Track is a screen-based, streamlined review process for which NEM, non-export, and exporting facilities (with nameplate capacity of up to 3 MW in SCE's and PG&E's service territories and up to 1.5 MW in SDG&E's service territory) are eligible. Fast Track consists of two stages of review: Initial Review and Supplemental Review.

### **a) Initial Review**

Initial Review consists of thirteen screens, Screens A through M. If an Applicant's interconnection request passes all thirteen screens, it is eligible to negotiate a Generator Interconnection Agreement (GIA). If Initial Review identifies any required interconnection facilities and/or distribution upgrades, the IOU provides the Applicant with a cost estimate. During the negotiation phase of a GIA, parties may discuss this estimate and it is ultimately incorporated as an attachment to the GIA.

### **b) Supplemental Review**

If an Applicant's interconnection request fails any of Initial Review's thirteen screens, the Applicant may elect to: (1) proceed to Supplemental Review; (2) proceed to Detailed Study; or (3) withdraw. Supplemental Review consists of three screens, Screens N through P. If an Applicant's interconnection request passes all three screens, it is eligible to negotiate a GIA. If Initial Review

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<sup>7</sup> For example, to the extent there are electric system upgrades triggered by a queued-ahead project, a later-queued project may require restudy or changes to cost responsibility should that queued-ahead project withdraw prior to its Commercial Operation Date (since those upgrades may now be triggered by the later-queued project).

identifies any required interconnection facilities and/or distribution upgrades, the IOU provides the Applicant with a cost estimate. During the negotiation phase of a GIA, parties may discuss this estimate and it is ultimately incorporated as an attachment to the GIA.

**c) Cost Estimation Under Fast Track**

Under the current process, an engineer evaluates the project for Fast Track and develops an estimated price for any required interconnection facilities and/or distribution upgrades. In most cases, these costs are developed without actually inspecting the site of the Applicant's proposed Generating Facility. While this adds a level of uncertainty to the cost estimate, it permits a faster, more efficient processing of an interconnection request (which was the main driver of developing the Fast Track process).

**d) NEM Expedited Review**

NEM is a tariffed program that allows customers to install a Renewable Electrical Generating Facility to offset their own on-site energy use.<sup>8</sup> It permits an "eligible customer-generator" to net its electricity usage drawn from the utility grid against its own electricity generation at retail rates.<sup>9</sup> In 2002, the Commission determined that NEM generating facilities are exempt from paying costs associated with Rule 21 interconnection studies, distribution system modifications and Rule 21 application fees.<sup>10</sup> The Commission reasoned that customer-generators should be treated the same as retail customers without generation, basing this determination on specific language in the NEM statute.<sup>11</sup> Costs associated with interconnecting NEM systems are allocated to ratepayers generally.

Applicants that qualify for the NEM program are eligible to receive a unique, expedited interconnection review process.<sup>12</sup> Because they are not responsible for interconnection costs, their

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<sup>8</sup> D.02-03-057, pp. 2-3.

<sup>9</sup> *Id.* at p. 2.

<sup>10</sup> D.02-03-057

<sup>11</sup> PUC Section 2827(g); D.02-03-057.

<sup>12</sup> Rule 21, Section D.13.

interconnection request is processed and studied without Applicant participation in the process.<sup>13</sup> Further, NEM interconnection requests are exempt from the queue and are expected to be provided permission to interconnect within thirty business days following an Applicant's completion of certain requirements.<sup>14</sup>

### **3. Detailed Study Interconnection Review Process**

The second major evaluation track is referred to as Detailed Study. Detailed Study sets out three different study processes for any generating facility that requires additional evaluation beyond the Fast Track screens. Interconnection requests that are not eligible for Fast Track evaluation must apply for Detailed Study. Interconnection requests that fail Fast Track's Supplemental Review may proceed to Detailed Study. An Applicant may also choose to apply directly for Detailed Study.

Detailed Study consists of three separate sub-review processes: (i) an Independent Study Process ("ISP"), (ii) a Distribution Group Study Process ("DGSP"), or (iii) a Transmission Cluster Study Process. The specific study process used depends on the results of the Electrical Independence Tests for the transmission system (Screen Q) and distribution system (Screen R). Screen Q of Rule 21 determines whether an interconnection request is independent of the transmission system. Screen R of Rule 21 determines whether an interconnection request is independent of other earlier-queued and yet to be studied interconnection requests interconnecting to the distribution system.

If an interconnection request fails Screen Q, it will be processed under the Transmission Cluster Study Process. If an interconnection request passes Screen Q, but fails Screen R, it will be processed under the DGSP. If an interconnection request passes both Screen Q and Screen R, it will be processed under the ISP.

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<sup>13</sup> Rule 21, Section D.13.a. Review of a NEM interconnection request is not limited to Fast Track, and may be reviewed pursuant to Detailed Study if necessary.

<sup>14</sup> Rule 21, Section D.13.b.



**a) Independent Study Process**

Interconnection requests eligible for the ISP are studied individually in a serial fashion. The first study phase is the System Impact Study (“SIS”). The SIS is an engineering study conducted by the IOU that evaluates all impacts of the proposed interconnection on the safety and reliability of the IOU’s electric system.<sup>15</sup> It identifies the interconnection facilities and distribution upgrades<sup>16</sup> necessary to mitigate thermal overloads and voltage violations, and addresses short circuit, stability, and reliability issues associated with the requested interconnection.<sup>17</sup> This SIS must be completed within sixty business days following execution of a Detailed Study Process Agreement.<sup>18</sup>

The second study phase is the Facilities Study (“FS”).<sup>19</sup> This phase may be waived if both the IOU and Applicant agree to such waiver. If waived, an Applicant proceeds directly to negotiation of a GIA. The FS determines a more specific estimate for the required interconnection facilities and distribution upgrades, as well as the associated cost and time required to construct such facilities and upgrades.<sup>20</sup> This FS must be completed within sixty business days after (a) an Applicant posts the initial Interconnection Financial Security in accordance with Section F.4.b where distribution or network upgrades are identified and, (b) for generating facilities with a Gross Nameplate Rating of 5 MW or less, Applicant submits the Facilities Study deposit in accordance with Section E3.a. and F.3.b.vi.<sup>21</sup>

Under the current process, the interconnection facilities and distribution upgrades identified by the SIS are developed without actually inspecting the site of the Applicant’s proposed Generating Facility. While this adds a level of uncertainty to the cost estimate, it permits a faster, more efficient processing of an interconnection request. During a FS, some field verifications are performed to

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<sup>15</sup> Rule 21, Section C.

<sup>16</sup> It will also consider necessary Reliability Network Upgrades.

<sup>17</sup> Rule 21, Section G.3.c.

<sup>18</sup> Rule 21, Section F.3.b.ii.

<sup>19</sup> Rule 21, Section F.3.b.vi -viii.

<sup>20</sup> It will also consider necessary Reliability Network Upgrades.

<sup>21</sup> Rule 21, Section F.3.b.viii.

confirm the feasibility of a proposed Method of Service and its associated facilities/upgrades. This permits some refinement of the cost estimates.

However, the SIS and FS do not include the type of field verifications necessary to confirm numerous underlying assumptions, including: environmental studies, biological studies, easement/rights checks, wind loading for poles, engineering and design, etc. Such verifications do not occur until after execution of a GIA. In addition, an Applicant does not typically submit detailed engineering until after a GIA is executed. The field verifications and detailed engineering can lead to numerous changes that were unanticipated during the study phase, which impacts a cost estimate. While the decision to delay field verifications and detailed engineering adds a level of uncertainty to the study phase's cost estimate, it permits a faster, more efficient processing of an Applicant's interconnection request and conserves the resources necessary to perform such tasks until an Applicant reaches a high level of confidence that it wishes to pursue interconnection.

**b) Distribution Group Study Process**

The DGSP was established on July 9, 2014 pursuant to D.14-04-003 and Advice Letter 3050-E. (SCE), Advice Letter 4437-E (PG&E) and Advice Letter 2610-E (SDG&E). The first Distribution Group Study opens on Sept. 15, 2014. A Distribution Study Group is comprised of all interconnection requests that are determined to be electrically interdependent based on results of Screen R.<sup>22</sup> This process enables an IOU to study multiple projects together, and allocates interconnection facility and distribution upgrades costs triggered by the group to all group members.<sup>23</sup>

The actual study process mirrors the ISP study process: DGSP Phase I study is identical to an SIS and the DGSP Phase II study is identical to the FS. Similar to the ISP, the same cost estimation limitations remain.

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<sup>22</sup> Rule 21, Section C ("Distribution Group Study"). A Distribution Study Group may contain only one Interconnection request.

<sup>23</sup> D.14-04-003, at Finding of Fact No. 1.

The DGSP was developed to alleviate some of the cost uncertainty inherent in a serial queue. However, the Commission has acknowledged that the DGSP “will not serve to fully eliminate the possibility of re-studies or allocation of additional expenses because the risk that projects drop out of the group or queue, [and] for reasons unrelated to interconnection costs or timing, i.e., environmental reasons or project financing, [which] essentially remain unchanged.”<sup>24</sup>

**c) Transmission Cluster Study Process**

Interconnection requests that fail Screen Q are deemed to be electrically interdependent with the transmission system, and therefore must be studied with other interconnection requests that have transmission system interdependencies. Accordingly, Rule 21 requires projects that fail Screen Q are withdrawn from Rule 21. They may apply for interconnection under the Transmission Cluster Study Process of the applicable IOU’s Federal Energy Regulatory Commission (“FERC”) jurisdictional Wholesale Distribution Access Tariff (“WDAT”). Following that study process, an Applicant may execute a Commission or FERC jurisdictional GIA.

**B. Staff Report “Statement of the Problem” Analysis and Conclusion Are Flawed**

The Staff Report relies upon an incomplete and incorrect analysis of the Rule 21 Fast Track and Detailed Study Interconnection Review Processes, and the Net Energy Metering expedited interconnection process, to incorrectly conclude that it is appropriate to dramatically depart from established cost allocation interconnection principles without providing any cost allocation analysis.

**1. The Staff Report Fails to Address the Impact of Rule 21 Reforms**

The Staff Report does not address the implementation and effectiveness of the numerous newly adopted provisions, as laid out below, in the 2012 revision to Rule 21<sup>25</sup> and the 2014 revision to Rule

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<sup>24</sup> D.14-04-003, at p. 12.

<sup>25</sup> D.12-09-018.

21<sup>26</sup> that were intended to enhance predictability of the costs and process of interconnection, including: the new integrated online Rule 21 and WDAT queues required pursuant to Rule 21, Section E.5.d; the new Pre-Application Report set out in Rule 21, Section E.1; and the new DGSP set out in Rule 21, Section F.3.c. These important new tools were implemented specifically to improve cost predictability and the interconnection process. For example, the IOUs believe the Pre-Application Report has greatly enhanced generators understanding of their prospects for interconnection, as well as potential costs, by providing key data early on in the process.

In Fall of 2012 and Winter of 2013, immediately following substantial revisions to Rule 21, parties briefed issues relating to predictability of interconnection and the IOUs filed a cost certainty proposal. The briefing and proposals do not address the state of interconnection predictability that exists today in light of those revisions. The DGSP, a new study process intended to “promote timeliness, the non-discriminatory processing of interconnection applications, improve cost-effectiveness, and increase transparency,”<sup>27</sup> will be implemented for the first time starting on September 15, 2014. These significant process changes, and their impact on interconnection predictability, should be prudently and systematically reviewed by Energy Division staff, stakeholders and the Commission as part of the effort already underway to improve the predictability of interconnection costs. This will better support identification and minimization of actual barriers to generator interconnection, while avoiding unnecessary changes and unintended consequences.

## **2. The Staff Report Fails to Consider the Underlying Causation for Cost Estimate Uncertainty**

The Staff Report concludes that the IOUs should “no longer be inoculated against the effects of the financial uncertainty created by their uncertain cost estimates that result from various changing circumstances.” However, as the Staff Report itself states, this cost estimate uncertainty is driven

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<sup>26</sup> D.14-04-003.

<sup>27</sup> D.14-04-003, at p. 4.

primarily by factors and circumstances beyond the IOUs' control.<sup>28</sup> The Staff Report identifies five categories that cause changes to an initial cost estimate: (1) "changing grid conditions;" (2) "project modifications;" (3) "decisions made by prior-queued project developers;" (4) "[e]stimates derived using differing methodologies, made by different personnel using different assumptions, by different utility groups using different methodologies," and (5) "[i]ssues that crop up during the construction process leading to mid-construction unexpected expenses."<sup>29</sup>

The sole category in the Staff Report attributable only to the IOU is the category relating to uncertainty caused by "estimates derived using differing methodologies, made by different personnel." Different employees may be required to work on a study depending on the specifics of a particular application. This is not a primary driver for cost uncertainty. The IOUs apply their study methodologies in a consistent manner to ensure that all interconnection requests are processed in a non-discriminatory manner that promotes the safety and reliability of the electric system. Two independent projects that appear facially similar could have estimates that vary dramatically because of (a) their specifics and (b) factors outside the control of the IOU, including those identified in the other four categories of cost increases outlined in the Staff Report. While such methodologies may evolve over time due to changing electric system conditions, new technology, or other reasons, the methodologies are applied in a consistent and uniform manner. They are not arbitrarily determined.

The "construction process category" relates to latent issues not identified by Applicant or IOU prior to final engineering design and construction. In part, these issues are caused by the nature of the Fast Track review and Detailed Study analysis. As discussed in Section II.A, although the Fast Track review and the Detailed Study process consider grid impacts and required interconnection facilities based upon system analysis and the Applicant's proposed generating facility design, these studies include very little field verification and do not include an Applicant's final detailed engineering. Field verification—for issues including environmental studies, biological studies, easement/rights checks,

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<sup>28</sup> ALJ Ruling, Attachment A, at p. 4.

<sup>29</sup> ALJ Ruling, Attachment A, at p. 4.

wind loading for poles, engineering and design, and “job walks”—and detailed engineering are typically performed following execution of a GIA. The performance of such tasks can reveal discrepancies between study assumptions and real-world conditions, which impacts cost estimates. The decision to delay such tasks until execution of a GIA reflects a conscious trade-off between the level of detail for a study’s estimate and the time required to perform a study. As part of the Rule 21 Settlement Agreement, the Settlement Parties agreed to adopt Fast Track review and Detailed Study processes, with specific timelines for these processes, to improve efficiency.<sup>30</sup> These timelines reflect a compromise between the level of estimate certainty and interconnection process efficiency. Certain time and resource-consuming tasks are not addressed during the review and study phase, and reserved for analysis following execution of a GIA. This compromise assists with queue management and efficient interconnection processing by reserving such tasks only for the interconnection requests that demonstrate a high-level of intent to complete the process. It is unreasonable to ignore this trade-off when discussing variances between initial cost estimates and finalized, actual costs.

Therefore, based on the Staff Report’s own explanation for the cause of “uncertain cost estimates,” which identifies numerous factors outside of IOU control, it is not reasonable to conclude that the IOUs should bear the effects of the financial uncertainty created by their uncertain cost estimates that result from various changing circumstances. The level of certainty for cost estimates is determined by the nature of Rule 21 interconnection review and the underlying policy determinations, which reflect the need to balance the Commission’s goals of developing an interconnection process that is “timely, non-discriminatory, cost-effective, and transparent.”<sup>31</sup>

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<sup>30</sup> See e.g., D.12-09-018, at Finding of Fact No. 3.

<sup>31</sup> Order Instituting Rulemaking (filed Sept. 22, 2011), R.11-09-011, at p. 2.

### **3. The Staff Report Fails to Address Implications Relating to a Change in Cost Allocation**

The Staff Report relies upon its “statement of the problem” to advocate cost certainty proposals that alter fundamental cost allocation principals by shifting costs away from the Applicant that triggers the cost. However, the Staff Report does not provide analysis regarding the impacts such shifting will have on the interconnection process. As noted in SCE’s *Comments on Interconnection Cost Responsibility Questions*,<sup>32</sup> the IOUs recommend the Commission carefully consider the following core principles when furthering Rule 21’s goals for a fair, transparent and efficient interconnection process:

- **Cost Causation**: A generator pays the actual cost of any infrastructure upgrades its project requires/causes. This supports a fair, non-discriminatory and efficient interconnection process by (1) ensuring costs are not unfairly allocated to others who do not receive any benefit from such infrastructure upgrades; and (2) providing proper price signals to generators regarding the cost of interconnection at their particular site.
- **Cost Recovery**: Utilities are entitled to recover their prudently incurred cost of providing interconnection service.
- **Non-discrimination**: Rule 21 must continue to provide a non-discriminatory approach to cost allocation. For non-NEM interconnections, the traditional “first come, first served” principles provide a fair, efficient, transparent and non-discriminatory process to administer large numbers of interconnections requests.

The IOUs recognize that Phase II of this proceeding includes “[c]onsideration of proposals for ratepayer support of distribution system upgrades triggered by the interconnection of distributed generation.”<sup>33</sup> However, this issue has not been addressed in this proceeding yet. Careful, prudent analysis regarding

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<sup>32</sup> Comments on Interconnection Cost Responsibility Questions dated October 25, 2012, at pp. 3-4.

<sup>33</sup> Assigned Commissioner’s Amended Scoping Memo and Ruling Requesting Comments, dated Sept. 26, 2013, at 4.

this issue is necessary to the extent the Staff Report concludes that part of the “statement of the problem” is related to cost allocation.

In addition, the Commission recently instituted a new rulemaking, the *Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769*, that focuses on Public Utilities Code Section 769, which addresses the IOUs’ electric distribution planning and the Commission’s obligation to review, modify, and approve the IOUs’ Distribution Resources Plan Proposals (DRPs) that must be filed by July 1, 2015.<sup>34</sup> The rulemaking “will consider providing guidance to the utilities for incorporating any additional spending necessary to integrate cost-effective distributed resources into its distributed energy plans for consideration in subsequent general rate case (GRC) requests, as specified by Section 769(d).”<sup>35</sup> Accordingly, this proceeding will also address careful and prudent review of cost allocation principles, and in light of that review “the Commission may approve proposed spending in the GRC if it concludes that ratepayers would realize net benefits and the associated costs are just and reasonable.”<sup>36</sup>

The Staff Report’s failure to address how its “statement of the problem” relates to these significant issues undermines its analysis and prevents it from accurately addressing interconnection predictability barriers and reasonable solutions to reduce those barriers.

#### **4. Comparison to NEM is Misplaced**

The Staff Report offers a misplaced comparison when it conflates its “statement of the problem” for the Fast Track review and the Detailed Study process with the expedited interconnection process for NEM. The Staff Report states that the NEM process permits a “frictionless” interconnection review that avoids the delays inherent in the Fast Track and Detailed Study processes, and recommends that use of fixed cost estimates—and the cost allocation shifting that results when actual cost does not match a cost

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<sup>34</sup> Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769 (“DRP OIR”), filed August 20, 2014, at pp. 2-3.

<sup>35</sup> *Id.* at p. 4.

<sup>36</sup> DRP OIR, at p. 6.



estimate—should be established for the Fast Track process and ISP.<sup>37</sup> However, any comparison between the NEM expedited interconnection process and the non-NEM Rule 21 reviews and processes is a comparison of apples to oranges.

NEM-eligible generating facilities are subject to size limitations based on the amount of the customer's electrical consumption (load). Such generating facilities are intended for onsite use for customers who can be viewed as equivalent to "retail customers without generation."<sup>38</sup> Interconnection facilities and distribution upgrades are anticipated to be minimal since the generating facility is primarily offsetting load. Further, any costs triggered by a need to upgrade infrastructure for NEM-eligible generating facilities are allocated to ratepayers generally, so there is no need for an Applicant to decide if interconnection is financially desirable. The NEM interconnection process is also "frictionless" because such projects are not assigned a queue position for purposes of project cost responsibility and interconnection priority and, pursuant to statute, the projects are expected to be interconnected as quickly as possible.<sup>39</sup> Therefore, queue changes caused by prior-queued projects withdrawing, modifications, or other changes that impact a later-queued project's electrical plan of service, are not considered for NEM expedited interconnection. These unique NEM-subsidies and benefits reflect established policy decisions embodied by legislation and Commission decisions.

No size restriction relating to customer load exists for non-NEM projects processed through Rule 21. Furthermore, under established Commission policy, non-NEM Rule 21 Applicants are responsible for infrastructure upgrades that their projects trigger and are subject to a "first come, first serve" queueing process to determine such upgrades and related costs. Thus, projects under NEM are not representative in scope, complexity and processing of those non-NEM projects that seek interconnection service in accordance with Rule 21. Fixed cost estimates, or cost caps, cannot resolve or eliminate this complexity without significant revisions to the Commission's interconnection and cost allocation

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<sup>37</sup> ALJ Ruling, Attachment A, at p. 5.

<sup>38</sup> D.02-03-057, at p. 8.

<sup>39</sup> See Pub. Utils. Code Section 2827(e).

principles. Accordingly, it is not useful to compare the expedited NEM interconnection process to the non-NEM interconnection review processes.

**C. IOU Response to Cost Certainty Proposals**

The Staff Report proposes a “cost certainty regime” for projects that are processed under the Fast Track review process and the ISP.<sup>40</sup> The Staff Report recommends adopting the Joint Cost Certainty Proposal proposed by the IOUs in their January 18, 2013 filing, and further recommends adopting a “modified version of the Massachusetts cost certainty process” for interconnection requests processed under the ISP. The IOUs strongly oppose the “modified version of the Massachusetts cost certainty process” because: (1) it violates cost-of-service ratemaking tenets, (2) contradicts PURPA, (3) lacks any detailed analysis, and (4) unfairly shifts substantial risk to the IOU without regard for critical inherent uncertainties in the interconnection review process and Rule 21’s compromise between the level of estimate certainty and interconnection process efficiency.

In addition, for the reasons discussed in Section III.B, the IOUs believe it is premature to adopt a cost certainty proposal at this time. The Commission should allow time for the implementation of the numerous newly adopted Rule 21 processes and tools intended to improve cost predictability. Substantial revisions were implemented in 2012. Since the 2012 revision to Rule 21, only a small number of Rule 21 projects have gone through the study process, signed interconnection agreements, reached commercial operations and received a final accounting. This process takes time to reach final true-up accounting because it is dependent upon a number of variables beyond the timelines established in Rule 21, such as an Applicant’s desired interconnection date. The IOUs anticipate that substantially more projects will receive final accounting over the next twenty-four months, and such data is necessary to identify areas of concern regarding interconnection predictability.

However, as a first step in working with the Commission to pursue additional measures to promote predictability of interconnection costs, the IOUs continue to support their Joint Cost Certainty

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<sup>40</sup> ALJ Ruling, Attachment A, at pp. 12-14.

Proposal's limited fixed price option for Fast Track approved projects because it provides a cost certainty framework that results in minimal cost shifting and promotes interconnection of projects with the lowest interconnection cost. In addition, based on further consideration of this proposal, the IOUs believe this proposal could be expanded to a specific subset of projects that fail Fast Track and are processed pursuant to the ISP.

**1. The Modified Version of the Massachusetts Cost Certainty Process**

**a) The Modified Version Violates the Regulatory Compact, Tenets of Cost-of-Service Ratemaking, and Results in Rates that Are Not Just and Reasonable**

The "Modified Version" proposal to include a cost cap that would require IOU shareholders to bear the actual costs associated with providing service to an interconnection customer when those costs exceed 110% of an interconnection study cost estimate—even if such costs were legitimate, prudently incurred costs—violates the regulatory compact and cost-of-service ratemaking principles.

As the Commission has stated, "[t]he 'regulatory compact,' is that in exchange for a reasonable opportunity of earning a fair return, ratepayers pay the adopted rates and the utility does what is necessary to provide safe and reliable service."<sup>41</sup> "The Public Utilities Code entitles a utility to charge its customers rates that cover its costs and are otherwise considered just and reasonable."<sup>42</sup> "This standard fails when reasonable and foreseeable expenses of utility operations are excluded from rates."<sup>43</sup> The California Supreme Court has explained that "[r]ates of a publicly regulated utility are based on two components: (1) the utility's operating expenses (cost of service), and (2) a fair return on its investment, which is found by multiplying its authorized rate of return by the value of property devoted to public use

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<sup>41</sup> D.09-03-025, at p. 323.

<sup>42</sup> *Order Instituting Rulemaking Regarding Allocation Of Gains On Sale By Energy Utilities, Incumbent Local Telecommunications Carriers And Water Companies*, R.04-09-003, filed Sept. 2, 2004, at p. 9.

<sup>43</sup> D.12-09-008, at p. 22.

(rate base).”<sup>44</sup> Denying recovery of reasonable costs or a fair return on infrastructure violates this basic tenet of ratemaking.<sup>45</sup>

Infrastructure upgrade costs (i.e., interconnection facilities and distribution upgrades) that are triggered as a result of a customer’s requested interconnection are necessary to ensure safe and reliable interconnection of that customer’s generating facility to the distribution system pursuant to state laws and regulations, and are directly related to safety and reliability standards. The IOUs have an unavoidable obligation to serve their customers safely and reliably. Thus, cost-of-service ratemaking principles require that the reasonable costs of service relating to such infrastructure upgrades are recoverable. A cap that excludes such costs violates California’s regulatory framework and must be rejected.

The CPUC’s approved rates must be just, reasonable, or sufficient. Public Utilities Code Section 728 dictates that “[w]henver the commission, after a hearing, finds that the rates or classifications, demanded, observed, charged, or collected by any public utility for or in connection with any service, product, or commodity, or the rules, practices, or contracts affecting such rates or classifications are insufficient, unlawful, unjust, unreasonable, discriminatory, or preferential, the commission shall determine and fix, by order, the just, reasonable, or sufficient rates, classifications, rules, practices, or contracts to be thereafter observed and in force.” Adopting a cost recovery cap that does not permit the recovery of prudent, verifiable costs cannot meet this standard and is de facto arbitrary and capricious.<sup>46</sup>

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<sup>44</sup> *S. Cal. Gas Co. v. Pub. Utilities Com.*, 23 Cal. 3d 470, 474, 591 P.2d 34, 35 (1979).

<sup>45</sup> “If the rate does not afford sufficient compensation, the State has taken the use of utility property without paying just compensation and so violated the Fifth and Fourteenth Amendments.” *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 308 (1989).

<sup>46</sup> The ten percent level of the cap imposed is particularly arbitrary. There is no rational basis provided for the ten percent figure nor is there a discussion as to the enhanced cost recovery risk imposed and how such increased risk should be reflected in a higher return. The ten percent appears to be based entirely on the fact that another state uses the same percentage. The Staff Report did not explain what other percentages would or would not meet the standard set forth for ratemaking purposes of “just, reasonable, or sufficient,” or whether they picked a percentage at the low or high end of any zone of reasonableness spectrum. As discussed, *infra*, using another state’s approach is particularly unwarranted where there could be innumerable other aspects of the state program that mitigate any cost recovery risk, to the extent such risk exists.

**b) The Modified Version Violates PURPA Regulations as to Exporting Generators**

For generators that intend to export power for resale, Rule 21 applies to such entities that are also qualifying facilities (“QFs”) that intend to sell power only to their host utility. That is, any Rule 21 interconnections for exporting generators are performed pursuant to, and are subject to, PURPA and the FERC regulations governing QF interconnections. Congress granted FERC the authority to issue regulations implementing PURPA, including regulations addressing interconnections of QFs.<sup>47</sup> FERC used such authority to issue regulations under which it would permit QFs to skip the hearing process set forth in FPA Section 210 and also delegated most aspects of QF interconnections to the states.<sup>48</sup> That said, the states must abide by FERC regulations in implementing PURPA, including with regard to QF interconnections.

FERC defines the interconnection costs that are to be recovered from QFs under 18 C.F.R. § 292.306:

Interconnection costs means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions and administrative costs incurred by the electric utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility, to the extent such costs are in excess of the corresponding costs which the electric utility would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources. Interconnection costs do not include any costs included in the calculation of avoided costs.

There is no indication in the FERC regulations that a state may deny the recovery or legitimate and reasonable costs of an interconnection. In discussing its definition of interconnection costs, FERC explained:

The Commission has clarified this definition to include distribution and administrative costs associated with the interconnected operation, in

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<sup>47</sup> *Am. Paper Inst., Inc. v. Am. Elec. Power Serv. Corp.*, 461 U.S. 402 (1983).

<sup>48</sup> Interconnections were addressed primarily in 18 CFR § 292.306.

response to comments indicating that the proposed rule was vague in these respects. *This definition is designed to provide the State regulatory authorities and nonregulated electric utilities with the flexibility to ensure that all costs which are shown to be reasonably incurred by the electric utility as a result of interconnection with the qualifying facility will be considered as part of the obligation of the qualifying facility under it 292.306.* These costs may include, but are not limited to, operating and maintenance expenses, the costs of installation of equipment elsewhere on the utility's system necessitated by the interconnection, and reasonable insurance expenses.<sup>49</sup>

The Modified Version appears to violate PURPA, in that it denies the IOUs of the recovery of interconnection costs.

**c) The Modified Version Should Not Be Applied to Rule 21 Because the Relevance of a Massachusetts Framework Is Not Addressed and It Undermines Rule 21's Study Framework**

The Staff Report states that consistent with the "Massachusetts Model," an interconnection customer should not be held responsible for any cost increases due to infrastructure upgrade costs that exceed the "final interconnection studies[']" estimate by more than ten percent. However, the Staff Report fails to provide any analysis or review of the governing Massachusetts regulations that it references, let alone cite to the regulations it seeks to track. The Staff Report fails to address the framework of any Massachusetts interconnection tariff,<sup>50</sup> the nature of the scope and purpose of the

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<sup>49</sup> 1977-1981 Regulations Preambles ¶ 30,128 at 30,866 (1980).

<sup>50</sup> The IOUs note that based upon a review Western Massachusetts Electric Company's Standards for Interconnection of Distributed Generations, the "Massachusetts Model" is substantively different from the Staff Report's characterizations regarding the nature of the cost cap. Under Rule 21, a final interconnection study can be the SIS when the IOU and the Applicant agree to waive the FS. However, as discussed in Section II.A.3.a, the SIS can reflect a significantly lower level of cost estimate certainty due to its nature and purpose. In Massachusetts, there are two types of studies, a preliminary Impact Study and a more detailed Detailed Study. The cost cap for the preliminary Impact Study is twenty-five percent, and the cost cap for Detailed Study is ten percent. In addition, if an interconnecting customer fails to submit payment for construction estimates within sixty business days from the date of the delivery of the Interconnection Service Agreement to the interconnecting customer, the utility "has the right to reassess the System Modification costs and construction schedule" and "[i]n the event that the Interconnecting Customer fails to pay the System Modification costs within the [Section 3.4.h] Time Frame, the [utility] shall require the Interconnecting Customer to reapply for interconnection ;and] [a]ny fees paid by the Interconnecting Customer shall not be refunded." See e.g., Western Massachusetts Electric Company's Standards for Interconnection of Distributed

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Massachusetts utilities studies, if and how an interconnection queue relates to such cost estimates, and whether the overruns beyond a cost cap are borne by the utilities' ratepayers or shareholders.<sup>51</sup>

More importantly, the Staff Report disregards the scope and purpose of the SIS and FS as established via a Settlement Agreement and implemented in the 2012 revision to Rule 21.<sup>52</sup> The scope, purpose and time frames for study associated with the ISP SIS and FS reflect a compromise that balances the level of cost estimate certainty with interconnection process efficiency. Certain time and resource consuming tasks are not addressed during the review and study phase, and reserved for analysis following execution of a GIA. This compromise assists with queue management and efficient interconnection processing by reserving such tasks only for the interconnection requests that demonstrate a high-level of intent to complete the process. It is inequitable to disregard this balance that was established following extensive settlement negotiations and careful review by the Commission. The Staff Report proposal shifts significant risk to the IOUs' shareholders. As discussed in Section II.B.1, most of this risk is caused by factors outside of the IOU's control. If such a proposal is to be considered, a thorough and significant review and likely revision of the ISP study process's scope and timelines must be included to address this risk shift.

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Generations, M.D.P.U. No. 1039F effective May 1, 2013, Section 3.4.e & Exhibit G – Interconnection Service Agreement, Paragraph 8, *available at* [http://nuwnotes1.nu.com/apps/wmeco/webcontent.nsf/AR/Interconnection\\_Tariff/\\$File/Interconnection\\_Tariff.pdf](http://nuwnotes1.nu.com/apps/wmeco/webcontent.nsf/AR/Interconnection_Tariff/$File/Interconnection_Tariff.pdf)

<sup>51</sup> The Staff Report summarily concludes, without support, that under Massachusetts' regulatory framework, "the utility shareholders (not the utility ratepayers) are responsible for the costs if the costs ultimately exceed 10% of the estimate." However, the allocation to utility shareholders, as compared to utility ratepayers, is not specified in the decision adopting this Massachusetts framework (*Investigation by the Department of Telecommunications and Energy on its own motion into Distributed Generation*, dated Feb. 24, 2004, D.T.E. 02-38-B), the Massachusetts utilities tariffs (*see e.g.*, Western Massachusetts Electric Company's Standards for Interconnection of Distributed Generations, M.D.P.U. No. 1039F effective May 1, 2013), or the comments that the Staff Report cites to support its statement (*Comments of the Interstate Renewable Energy Council, Inc. on Amended Scoping Memo and Ruling Requesting Comments*, October 25, 2012).

<sup>52</sup> D.12-09-018.

## **2. Fast Track Fixed Cost Proposal**

The IOUs believe additional work is needed before adopting a cost certainty proposal at this time because (1) the implementation and effectiveness of the numerous newly adopted Rule 21 processes and tools intended to improve cost predictability and the interconnection process should first be reviewed and (2) any modification to the current cost causation principles that frame Rule 21 non-NEM interconnection must be carefully and thoroughly considered. The IOUs are committed to this effort and are joining with the Commission and stakeholders to continue to make improvements to the Rule 21 process. However, if the Commission decides to proceed with a cost certainty framework at this time, the IOUs support the 2013 Joint IOU Cost Certainty proposal with some added enhancements.

### **a) 2013 Joint IOU Cost Certainty Proposal**

In creating the 2013 Joint IOU Cost Certainty Proposal, the IOUs reviewed the interconnection requests which had been received by the IOUs since June 2009. It was determined that there was significant variation in the amount of Distribution Upgrades required to mitigate reliability concerns (referred to herein as Significant Distribution Upgrades). However, when analyzing the cost estimates for the projects which are in a “low impact area,” it was determined that Significant Distribution Upgrades were not needed or were insignificant for these Fast Track-approved projects. “Low impact area” refers to projects that: (1) pass Fast Track and (2) do not require substation upgrades and (3) whose total interconnection facility cost is less than \$500,000. Accordingly, this proposal is limited to this set of “low impact area” projects.

As previously stated within the 2013 Joint Proposal, in order for the IOUs to provide a fixed price option for eligible interconnections, the IOUs will require additional information from the Rule 21 Applicant and confirmation of the generating facility configuration to allow for detailed project engineering.<sup>53</sup> In particular, the Applicant will be required to confirm specific information, including a

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<sup>53</sup> As highlighted within the 2013 Joint IOU Proposal, the Applicant would need to provide specific engineering described above prior to the commencement of the Fast Track fixed price determination and would be allowed a choice of whether or not they would want to proceed with this election.



final location for the point of interconnection (POI), point of change of ownership (POCO), required service voltage, size and type of generating facility (Technical Scope Package). Based on that information, the IOU and the Applicant will agree on the method to connect the point of change of ownership with the point of interconnection at the distribution circuit. The IOU's fixed price will be based on the agreed upon routing for the interconnection facilities from the point of interconnection to the point of change of ownership and based on the interconnection requirements. Preparation of the fixed price option requires additional time and resources. The IOUs will require between 30 to 70 Business Days after the Applicant's submission of all necessary information to prepare the fixed price. This would allow the IOU to send field engineers, designers and craft personnel (as necessary) to the site, meet with the Applicant, and agree on the method of service including equipment to be utilized, routing, etc. Following the completion of the fixed price process for a particular project, that project would then continue under the current interconnection process pursuant to Rule 21, Section F.2.e.6. If, at any time after the IOU has provided the fixed cost, the Applicant makes any change to its Generating Facility, POI, POCO or updates the Technical Scope Package or the information is determined to be in error, the fixed price will no longer be valid and the Applicant will be charged the actual cost of interconnection, including any time spent to redesign facilities in light of the changed information. Any change would remain subject to the Material Modification provisions of Rule 21, Section F.3.b.v.

The 2013 Joint Proposal does not include costs triggered by environmental studies and/or mitigation due to the unpredictability and potential magnitude of these costs. Where environmental studies and/or mitigation are required, the project developer would be fully responsible for the actual costs thereof.

While this proposal is designed to minimize any difference between the fixed price given to an Applicant and the actual cost to interconnect the customer, such differences may still occur. The IOUs

propose that any difference, either due to overcollection or undercollection, would be trued-up in customer rates through the normal GRC capital work order process.<sup>54</sup>

Fast Track projects encompass a significant portion of interconnection projects. Projects that do not pass the Fast Track process create additional risks since cost estimates for such projects can be significantly impacted due to changes in the queue and the fact that such projects have a higher probability of triggering significant upgrades, the cost of which is difficult to accurately predict.

**b) Expansion of 2013 Joint IOU Cost Certainty Proposal**

The 2013 Joint Proposal did not include non-Fast Track project interconnections due to (1) their heightened ability to be impacted by earlier-queued projects and the corresponding related cost variability, and (2) the limited data available for non-Fast Track projects that have progressed through final accounting. However, the IOUs believe that the fixed price framework described above could also be extended to a limited subset of ISP projects that have completed an SIS.

The subset of ISP projects is limited to: (1) projects less than 5MW (2) that do not trigger distribution upgrades totaling more than \$100,000 and (3) are not dependent on facilities triggered by earlier-queued projects and (4) whose total interconnection facility cost is less than \$500,000. Based upon additional experience, the IOUs believe the same level of estimate certainty can be achieved for these projects as compared to projects that pass Fast Track. Projects outside this scope are high-impact projects that are likely to require Significant Distribution Upgrades and/or are dependent upon on facilities triggered by earlier-queued projects, and at this time, the IOUs lack sufficient data on such projects to believe it is appropriate or prudent to extend any fixed price option beyond the limited subset.

The IOUs believe this proposal is a reasonable starting point and look forward to engaging with the Commission and other stakeholders to continue to make improvements to the Rule 21 processes.<sup>55</sup>

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<sup>54</sup> The capital cost is trued-up to the actual cost in the next GRC (i.e. the IOUs' use the recorded, or actual, rate base as the starting point for their GRC forecast revenue requirement).

<sup>55</sup> The IOUs note that it may also be helpful to consider construction industry estimation best practices and how they may relate to the Rule 21 interconnection estimation process.

**D. IOU Response to Remaining Staff Report Issues**

**1. The Staff Report Proposal to Impose Penalties For Failure to Proactively Resolve Interconnection Issues in a Timely Manner is Unsupported and Unwarranted**

The Staff Report inappropriately proposes a requirement for “[u]tilities [to] face monetary penalties for failure to proactively resolve interconnection issues proactively and in a timely manner.”<sup>56</sup> The Staff Report offers this single, conclusory point supported only by the belief that such penalties will “make the [interconnection] process run more smoothly.” However, the Staff Report does not explain what the term “proactively” means and provides no rational or explanation to support it. Such a penalty is not warranted. The IOUs have consistently met their Rule 21 timelines.

Further, the 2012 revision to Rule 21 established express procedures to address Applicant concerns regarding IOU compliance with established timelines. Pursuant to Rule 21, Section D.14, “[a]ny Applicant dissatisfied with the Reasonable Efforts of Distribution Provider [to meet a particular timeline set forth in this Rule] may use the informal procedures set out in Section F.1.d and/or the Dispute Resolution process in Section K.” Section F.1.d provides that a dissatisfied Applicant may: (1) contact the ombudsman designated by Distribution Provider and (2) if the ombudsman is unable to resolve the dispute within ten business days, the Applicant may either (a) contact the Consumer Affairs Branch at the Commission or (b) request mutual agreement for mediation by the Alternative Dispute Resolution (ADR) Coordinator in the Commission’s Administrative Law (ALJ) Division. Similarly, Section K provides a detailed process for informal dispute resolution and permits the Applicant to file a Complaint at the Commission at any time.

These provisions—in particular Section F.1.d—were established following extension settlement negotiation regarding procedures to ensure IOU compliance with timelines, and were adopted by the

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<sup>56</sup> ALJ Ruling, Attachment A, at p. 14.

Commission following a careful analysis.<sup>57</sup> The Staff Report offers no explanation regarding why these provisions are no longer sufficient, and should therefore be rejected.

**2. The Staff Report Proposal to Establish an Advanced Interconnection Consultation Process is Not Necessary**

The Staff Report proposes creation of an “Advanced Interconnection Consultation process . . . to derive solutions for novel interconnection problems and develop a plan to ensure grid interconnection in a timely fashion.”<sup>58</sup> The IOUs appreciate the need for a transparent interconnection process. The IOUs believe the existing Pre-Application Report provides an excellent vehicle to greatly enhance Applicants understanding of their prospects for interconnection, as well as potential costs, by providing key data early on in the process. In addition, the IOUs publish interconnection maps, which also provide key data for generators. The IOUs are actively exploring additional avenues to help Applicants better understand existing Rule 21 requirements to improve the efficiency and transparency of the interconnection process, and the IOUs welcome stakeholder input regarding ways to better communicate Rule 21 requirements.

However, the IOUs believe an “Advanced Interconnection Consultation” process is unnecessary, could increase cost or delay, and should not be adopted.

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<sup>57</sup> D.12-09-018, at p. 18 (“The fourth component of the Proposed Settlement sets out three accountability mechanisms to ensure utility compliance with, among other things, new timelines for interconnection in Revised Rule 21: (1) an ombudsman to represent the three utilities and assist with resolving disputes over missed deadlines; (2) a proposal for training of the Commission’s Consumer Affairs Branch, the division of the Commission responsible for, among other things, educating the public concerning the Commission’s processes, on the new timelines established in the Revised Rule 21; and (3) a proposal for a commitment by the Commission’s ALJ Division to expeditiously respond to requests for mediation of Rule 21 deadline-related disputes within its established Alternative Dispute Resolution Program.”); *id.* at Appendix A (“Settlement Agreement”) (“G. Reporting and Accountability . . . The IOUs shall designate a “Rule 21 Interconnection Ombudsman” with the authority to resolve missed deadline disputes on an informal basis. . . . The Commission should direct the Consumer Affairs Branch to be specifically trained to handle disputes regarding missed timelines as set out in the Revised Rule 21 Tariff . . . The Commission should direct that the Administrative Law Judge Division’s Alternative Dispute Resolution program (“ADR”) commence hearing a Revised Rule 21 Tariff timeline dispute within ten (10) business days of a request for ADR.”).

<sup>58</sup> ALJ Ruling, Attachment A, at p. 14.

**3. The Staff Report's Proposal to Establish an "Interconnection-based" Submission Channel Needs Additional Analysis**

The IOUs recognize the value in the development of such an online interconnection submission process. The IOUs have improvements under consideration or in development to improve automation of the interconnection process. As with all such important initiatives, it is important to make sure that that funding for development of such a process is proposed and authorized through each IOU's GRC.

**IV. CONCLUSION**

The IOUs appreciate the opportunity to comment the *Staff Report on Cost Certainty for the Interconnection Process Staff Proposal* and look forward to continuing to work with the Commission and stakeholders on this important area.

SCE is authorized to sign on behalf of the Joint Parties.

Respectfully submitted on behalf of the Joint Parties,

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